

RELEASE IN PART
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To: H
Cc: Mills, Cheryl D
Subject: Speech/Middle East

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HRC: Back this morning from Asia.

Congratulations on the speech. I think it came out great. And the reaction I have heard today has been very positive.

Let raise an idea about how you could present the arrangement on settlements that you are seeking with Israel as I understand it, i.e. a moratorium coupled with allowances to complete a number of housing units. There are two ways:

1. To describe it as an agreement, explaining why the US has accepted an Israeli completion of a handful of units whose construction already has begun. This raises some concerns. It would represent U.S. legitimization of some (however small) Israeli activity in the West Bank and it would trigger Arab and Palestinian complaints that we had compromised, sowing doubts about our effectiveness.

2. The alternative would be for the administration to say:

- a. We have come a very long way, as Israel has made unprecedented commitments to the U.S. in terms of a settlements freeze. This is a very welcome development.

- b. We did not achieve all that we had hoped as Israel intends to complete a number of housing units. We have differences with the Israeli government on this matter which we have expressed to them. .

- c. That said, we are convinced that substantial progress has been made that warrants an immediate resumption of peace talks as well as Arab steps toward Israel that will help promote a two-state solution.

This latter option retains our credibility, does not compromise our oft-stated position and allows us to move forward.

Of course, I am around if you want to discuss.

Good luck in India. They are very excited about your visit.

Sandy